

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/18/2015

GAIN Report Number:

Peru

Food Processing Ingredients

Peru's Dynamic Food Processing Sector, a Magnet for U.S.-Origin Food Processing Ingredients

Approved By:

Mariano J. Beillard, Regional Agricultural Attaché

Prepared By:

Alvaro Loza and Mariano J. Beillard

Report Highlights:

Peru's food processing industry is a dynamic sector of the national economy. FAS Lima estimates U.S.-origin food processing ingredients exports to Peru reaching \$280 million in calendar year (CY) 2015, an increase of \$14 million or five percent compared to the previous year. There are some 3,000 companies in Peru engaged in food processing. The 50 largest food processors are reporting CY 2015 sales of \$22.5 billion. The food processing sector is forecast to grow, despite the current economic slowdown, as domestic consumption benefits from stimulus measures boosting consumer spending and continued investor confidence.

Section I. Market Summary

Peru's real gross domestic product (GDP) grew only 2.4 percent in 2014, sharply down from earlier projections of 5.5-5.6 percent. The slump is attributed to the fall in global metal prices (i.e., copper and gold), negatively affecting the country's export revenues. Peru's GDP is estimated to grow to 2.7 percent in 2015 and then to 3.6 percent in 2016. The mining and hydrocarbon sectors remain key drivers of the economy despite falling global metal prices related to weakening demand from China. Growth in 2016-17 will be boosted by the implementation of new infrastructure and mining projects. Peru's nominal GDP in 2015 is estimated at \$189.5 billion, down 6.5 percent or off by \$13 billion from 2014's level. Peru's nominal GDP is forecast to reach \$195 billion in 2016. Downside risks persist given Peru's vulnerability to weaker demand for its extractive export commodities (e.g., copper).

Prior to the economic slowdown commencing in 2014, Peru for over a decade had been one of the world's top performing economies; registering sustained high growth accompanied by low inflation. The Central Bank (Banco Central de Reserva del Perú – BCRP) has a core inflation band target of 1-3 percent, which Peru maintained through 2013. Peru's consumer price inflation reached 3.4 percent in 2014 and is estimated to average 3.4-3.5 percent in 2015. Adverse weather in the form of a strong-to-severe El Niño in 2015/16 could disrupt agricultural production and drive up food prices. Further currency depreciations will increase import costs and lead to inflation. The forecast is for economic growth gathering momentum and oil prices recovering slightly in the medium-term, inflation will remain above the BCRP's target level through 2016-19. The government is implementing stimulus measures to boost consumer spending and investor confidence.

Local food consumption has been impacted by the 2015 economic slowdown as consumers scale back some purchases. FAS Lima understands that consumers to maintain consumption levels are coping by rebalancing their food purchases to include a greater mix of more affordably priced goods. The food processing sector, which represents by some estimates represents 30 percent of the national manufacturing sector, will continue to grow despite the recent economic downturn. Peru has a population of 30.4 million (Central Intelligence Agency – July 2015 estimate), of which a third resides in the capital city of Lima.

FAS Lima estimates U.S.-origin food processing ingredients exports to Peru reaching \$280 million in calendar year (CY) 2015, an increase of \$14 million or five percent compared to 2014. Driving growth in CY 2015 (January-October) are fats and oils, that at \$71.2 million are up \$27 million or 62 percent compared to 2014. Beer and wine (up 42 percent), pet food (up 38 percent), and baby food (up 31 percent) are the next best performing categories.

Consumers in Lima and large urban centers are living increasingly hectic life-styles. As women enter the workforce, there is less time to prepare meals from scratch. Time-starved consumers, including students, are turning to easy to prepare packaged meals. Demand for consumer-oriented food products remains good due to growing incomes. Exports of U.S. consumer-oriented food products have grown from \$111 million in 2010 to a record \$240 million in 2014.

The expansion of modern supermarket retailing is changing the way consumers purchase food. Sources indicate that Peru's food retail market will grow six percent in 2015 despite slower economic growth. Peruvians are moving away from bulk, unpackaged food purchases turning increasingly to consumer-

oriented packaged foods. Small, independent grocery stores (150,000 in Lima) are the main distribution channel for packaged food products. Convenience and proximity to consumers are their advantages. Affordably priced goods are sold at grocery stores.

There are good opportunities for U.S. food products outside of Lima due to the expansion of modern supermarket retailers in Peru's provinces. FAS Lima observes that these retailers are increasingly promoting store-branded private label, especially in the interior of the country. Store-branded products account for about 10 percent of total sales. Retailers are striving to hit the 30 percent total sales threshold within the next few years.

Peru's food retail market includes 237 modern retail food stores, with 159 in Lima. Twelve new stores (five in Lima and seven in provinces) were opened in 2014. Three stores opened in first half of 2015; six additional stores will be opened prior to the end of 2015. Modern supermarket chains and convenience stores are expanding into Lima's lower-middle income districts as well. These are benefitting from consumers' improved access to credit, often enticing buyers with deep discounts on certain items (i.e., loss leaders) when utilizing store credit cards.

Local food manufacturers have tapped into consumers' demand for quality at affordable prices. Food manufacturers source both domestic and imported product ingredients for their food product manufacturers. These are successfully tailoring product to consumers' demand for healthier food products. Some manufacturers are now producing food products for distribution through vending machines to meet time-starved consumers' demand for a quick fix.

Key players include Grupo Gloria, Alicorp, and San Fernando. There are some 3,000 companies in Peru engaged in food processing. The 50 largest food processors are reporting CY 2015 sales of \$22.5 billion. The food processing sector is forecast to grow, despite the current economic slowdown, as domestic consumption benefits from stimulus measures boosting consumer spending and continued investor confidence.

Among processed foods, baked goods remain the most important category. This category is estimated to reach \$2.6 billion in sales in CY 2015, up four percent compared to the previous year. Though unpackaged bread dominates the category (90 percent market share), new packaged bread choices are driving up growth. Dairy products will grow four percent in 2015. This category is led by the evaporated and condensed milk sub-category that accounts for 50 percent of total sales. An increase in demand for canned evaporated milk by low-income families is providing the category a boost, sales should reach \$2.4 billion.

FAS Lima expects that the fats and oil category to reach about \$870 million in sales in CY 2015. Exports of U.S.-origin fats and oils to Peru in in CY 2015 (January-October) at \$71.2 million are up \$27 million or 62 percent compared to 2014. These exports in 2014 represented 24 percent of total U.S. food processing ingredients exports to Peru. Consumers are developing a taste for healthy products such as olive oil, but still prefer overwhelming other seed oils.

Soft drinks are expected to grow by around four percent in CY 2015. Growing in importance within this category is demand for bottled water, juices, and sport drinks. Soft drinks are benefitting from the expansion of the modern food retail sector.

Alcoholic drink consumption experienced four percent growth in CY 2015, despite the excise tax (Supreme Decree 167-2013-EF). The excise tax increases state revenues through levies on both domestic and foreign product imports. The taxation system disproportionately taxes lower alcohol-by-volume (ABV) products. Local manufacturers complain that Peru's mixed taxation structure for alcoholic drinks and beverages penalizes lower ABV products. The measure fails to consider product quality or actual costs, relying solely on product alcohol content levels. Reportedly some local craft brewers are brewing higher alcohol content (six percent ABV or greater) beers in order to avoid the full 30 percent excise tax.

Peruvian wine production climbed eight percent in CY 2015. FAS Lima attributes the production increase to improved grapevine yields. Improving personal income is driving demand for wine. The local beer brewing industry grew four percent in 2015, reaching \$3.6 billion in sales. Peru's three largest brewers have improved their distribution channels, as well as launched new-to-market products over the past couple of years. Imported beer consumption is booming as importers/distributors seek to satisfy increasingly sophisticated consumer demand.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
<ul style="list-style-type: none"> - The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products. - An active supermarket industry that is promoting increased demand for high-value food products. - Growth of new supermarket outlets in Lima's suburbs of Lima and other cities. - Appreciation for U.S. food quality and culture. - Perception of modern retail outlets as cleaner, convenient and time saving. - Increased health consciousness among the Peruvian population. - Middle-class expansion. 	<ul style="list-style-type: none"> - Consumers prefer to buy fresh produce in traditional markets. - Supermarkets, the main source of imported food products, account for only 30 percent of the retail food market share in Lima and 12 percent in the provinces. - New local food brands are appearing in the market at very low prices. - Provincial supermarkets are supplied by Lima-based companies. - Lack of brand awareness among some consumers. - Government organized food promotion campaign called "Buy Peruvian." - Traditional markets dominate retail sales in secondary cities. - Domestic producers manufacture more affordable product according to local taste preferences.

Table 1: Peru, Food and Agricultural Products Sales (Estimated) by Sector (2015)

Sector	(\$ Billions)
Beverages	4.8
Foods (Top 30)	8.5
Agribusiness (Top 50)	9.2
Total	22.5

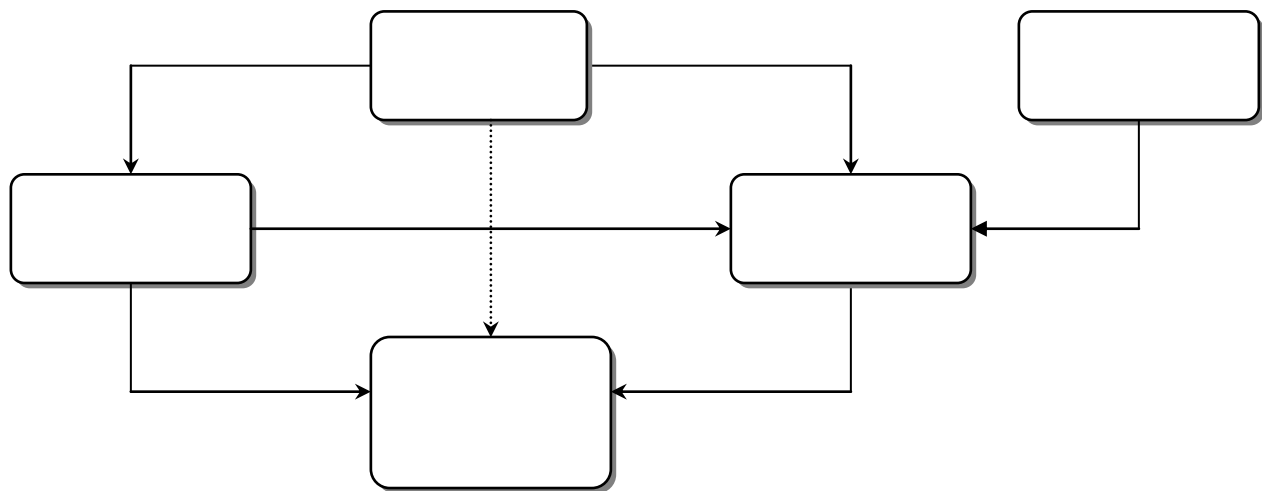
Source: FAS Lima office research

Section II. Road Map for Market Entry

A. Entry Strategy

- U.S. exporters should contact the local food processing company, or indirectly establish ties through brokers, agents, or representatives.
- Personal visits are highly recommended. The U.S. exporter should know well his local partner before signing contractual agreements.
- Exporters should provide support to food service customers by participating in technical seminars, product demonstrations, and local trade shows whenever possible.
- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- It is recommended that U.S. exporters work with chefs and local importers to conduct marketing activities in the high-end food service sector.
- Processed food products must be approved by health authorities and receive a registration number before being placed on the market.

B. Market Structure



- Local processed food products cover 85 percent of the market demand.
- Small processors outsource the import of food processing ingredients to local distributors/representatives or subsidiaries. Large processors import directly.
- Specialized importers usually provide food ingredients to the Peruvian market. Some of these are also producers or wholesalers/distributors.
- International franchises (KFC, Pizza Hut, Burger King, McDonalds) and the local Bembos (burgers) import their food ingredients directly.

C. Company Profiles

Table 2: Profiles of Major Food Processing Companies

Company Name, Products	2014 Est. Sales (\$ Million)	End-Use Channels	Production Location	Procurement Channels
Alicorp S.A. Cooking ingredients, sauces, dried goods, canned fruit, prepared meals, ice cream	2,058	Retail HRI Traditional market	Lima Trujillo	Direct Importers
Gloria S.A. Dairy products, canned fish, pork products, fruit juices	1,485	Retail HRI Traditional Market	Lima Arequipa Cajamarca	Direct Importers
San Fernando S.A. Poultry, pork and their by- products.	790	Retail HRI Traditional Market	Lima	Direct Traders
Nestle Peru S.A. Breakfast cereals, confectionary, dairy products, smashed potatoes, instant beverages, bakery goods (<i>pannettonne</i>)	678	Retail HRI Traditional Market	Lima	Direct Importers
Molitalia S.A. Flour, pasta, ketchup, semolina	261	Retail HRI Traditional Market	Lima	Direct Importers
Perales Huancaruna S.A. Coffee Processor	178	Retail HRI Traditional Market	Amazonas	Direct
Redondos S.A. Poultry and by-products	330	Retail HRI Traditional Market	Lima	Direct Importers
Laive S.A. Dairy products, pork products, fruit juices	225	Retail HRI Traditional Market	Lima	Direct Importers
Molinera Inca S. A. Flour and other grain mill products	148	Retail HRI Traditional Market	Trujillo	Direct Importers
Kraft Foods Peru S.A Cookies, instant desserts and beverages, mayonnaise and ketchup, coffee	197	Retail HRI Traditional Market	Lima	Direct Importers
Industrias del Espino S.A. Oils, fats	202	Retail Wholesaler	San Martin	Direct
Panadería San Jorge S.A. Bakery goods (cookies and <i>pannettonne</i>) Flour and other grain mill products	75	Retail HRI Traditional Market	Lima Trujillo	Direct Importers
Industrias Teal S.A. Cookies, candies, pasta, flour, <i>pannettonne</i> , chocolate	81	Retail Traditional Market	Lima	Direct Importers
Cogorno S. A. Flour, pasta and other grain mill products	71	Retail HRI Traditional Market	Lima	Direct Importers
Ajinomoto del Perú S.A. Condiments, seasonings	92	Retail HRI	Lima	Direct

Company Name, Products	2014 Est. Sales (\$ Million)	End-Use Channels	Production Location	Procurement Channels
		Traditional Market		
Compañía Nacional de Chocolates de Perú S.A. Confectionary chocolate	74	Retail Traditional Market	Lima	Direct Importers
Anita Food S.A. Noodles, pasta	86	Retail Traditional Market	Lima	Direct
Machu Picchu Foods S.A.C. Coffee, cocoa, chocolate	115	Wholesaler	Lima Ica	Direct
Sociedad Suizo Peruana de Embutidos S.A. Pork and beef products	62	Retail HRI Traditional Market	Lima	Direct
Panificadora Bimbo del Perú S.A. Bakery goods	59	Retail HRI Traditional Market	Lima	Direct Importers
Corporación ADC S.A.C. Flour, noodles, bakery goods, animal feed, pulses, semolina	53	Retail Traditional Market	Tacna	Direct
Central de Cooperativas Agrarias Cafetaleras Coffee, Cacao, Honey Bee, Tea, anise, chamomile, animal feed	75	Retail HRI Traditional Markets	Cuzco	Importers
Molino El Triunfo S.A. Flour, semolina, noodles	56	Retail Traditional Market	Lima	Direct Importers
Braedt S. A. Cheese and pork products	49	Retail HRI	Lima	Direct Importers
Derivados del Maíz S. A. Corn, potato and sweet potato products as ingredients	44	Retail Traditional Market	Lima	Direct Importers
Confiperu S. A. Confectionary	44	Retail Traditional Market	Lima	Direct Importers
Industrial Alpamayo S.A. Oils, fats	51	Retail HRI Traditional Market	Lima	Direct
Ameral S.A.A. Oils, chocolate, confectionery, condiments, seasonings	30	Retail HRI Traditional Market	Lima	Direct Importers
Mead Johnson Nutrition Peru SRL	63	Retail HRI Traditional Market	Lima	Direct

Sources: FAS Lima office research.

Table 3: Profiles of Major Beverage Companies

Company Name, Products	2014 Est. Sales (\$	End-Use Channels	Production Location	Procurement Channels
------------------------	---------------------------	---------------------	------------------------	-------------------------

	Millions)			
Union de Cervecerias Peruanas Backus & Johnston S.A.A. (Corporacion Backus) Beer and soft drinks	1,318	Retail HRI Traditional market	Lima La Libertad Lambayeque	Direct Importers
Corporacion Jose R. Lindley S.A. Beer	824	Retail HRI Traditional market	Arequipa	Direct Importers
Ajeper S.A. Soft drinks, bottled water	229	Retail HRI Traditional market	Lima	Direct Importers
Compañía Cervecera AmBev Perú S.A.C Beer and soft drinks	190	Retail HRI Traditional Market	Lima	Direct
Cervecería San Juan S.A.A. (Corporacion Backus) Beer	176	Retail HRI Traditional Market	Lima	Direct
Embotelladora San Miguel del Sur S.A.C. Soft Drinks	63	Retail HRI Traditional Market	Arequipa	Direct
Embotelladora Don Jorge S.A.C. Soft Drinks	39	Retail HRI Traditional Market	Lima	Direct
Santiago Queirolo S.A.C. Alcoholic Beverages	31	Retail HRI Traditional Market	Lima, Ica	Direct
Destilerias Unidas S.A. Alcoholic beverages	28	Retail HRI Traditional Market	Lima	Direct

Sources: FAS Lima office research.

D. Sector Trends

Baked Goods: Sales of baked goods in CY 2015 at \$2.6 billion are up four percent compared to 2014. The bread category, especially artisanal breads, is the sector's driver. Despite consumers' preference for artisanal bread, industrially produced bread is making significant inroads due to supermarket expansion. Bimbo del Peru is the leading local producer of industrial bread.

Dairy Products: Evaporated and condensed milk lead the subcategory, accounting for half of 2015 total sales of \$2.4 billion. Yogurt is also important within this subcategory with 2015 sales of \$450 million (up seven percent). Ready-to-drink products are favored by consumers looking for healthy features in this category. Food retail expansion is driving growth in this category.

Dried, Processed Food: Sales of dried, processed foods in CY 2015 of \$700 million are up three percent compared to the previous year. Pasta and rice remain the key product offerings. The pasta market, with 2015 sales of \$390 million is up three percent. Alicorp (Peru's largest food processor) holds 42 percent

of market share; Molitalia follows with 27 percent. Supermarket expansion in Peru's interior is helping expand the reach of packaged rice outside of Lima.

Fats and Oils: Fats and oils sales in CY 2015 at \$870 million are up four percent compared to 2014. Vegetable oils account for 71 percent of total sales within this category. U.S.-origin fats and oils exports to Peru reached \$64 million in 2014. Soybean oil accounted for 88 percent and is expected to grow 60 percent in 2015. The bulk of the volume goes to biodiesel production. Imported oil is locally refined and bottled for the retail market. Alicorp is the leading producer.

Biscuits and Snack Bars: Biscuit and snack bar sales in CY 2015 sales at \$640 million are up six percent compared to 2014. Regular biscuits predominate. Eighty percent of biscuit consumption occurs outside of the home. Consumers demand snacking-style products or meal replacements. Alicorp and Kraft Foods Peru enjoy a combined market share of 70 percent. Supermarket/ hypermarket private labels specialize in affordable savory and sandwich biscuits.

Chocolate Confectionary: Projected 2015 sales at \$290 million are up three percent from 2014. Regulations require that products must contain at least 35 percent cocoa and 18 percent cocoa butter to be labeled as chocolate. Nestle and Molitalia, targeting younger consumers, hold a market share of 60 percent.

Baby Food: Milk formula with \$249 million in 2015 sales dominates the baby food sector. Low-income families' purchases are driving growth; formula is popular with time-starved women.

Canned Preserved Food: Convenience drives canned food (namely fish products) sales. Total 2015 sales of \$300 million are up five percent from 2014. Easy to store and quick to prepare, canned food offers time-starved consumers a quick meal. Domestic processed canned/preserved fish/seafood is subject to intense local competition, forcing overall unit prices down. Local producers/distributors GW Yichang & Cia and Molitalia (with a combined 50 percent market Share) dominate the market.

Breakfast cereals: Breakfast cereals sales at \$85 million are up eight percent in 2015. Sales are driven by middle-income consumers adopting cereals as their breakfast food. Hot cereals remain popular also among low-income consumers. Breakfast cereals are popular with health-conscious consumers.

Beer and Wine: Beer with a market share of 80 percent is Peru's drink of choice. Middle- and high-income consumers continue trading up to premium products. Brewers report 2015 sales of \$3.6 billion, up four percent from 2014. Craft brewers expect to reach 1 million liters in 2015, tripling their 2014 volume. With AmBev's brands reportedly exiting the market, imports of lager will drop 10 percent in 2015. Changes to Peru's excise tax system in 2013, adversely impacting low-alcohol content drinks. Sources indicate that AmBev Peru's low-price sales strategy was thwarted by new tax scales. Bottled beer is preferred over can beer, with the 625 milliliter (ml) bottle size accounting for 95 percent of sales. Supermarkets are receptive to all packaging formats and sizes, including affordable and easier to transport/handle canned beer.

Peru's wine market in 2015 is estimated at about 55 million liters, up some 5 million liters compared to 2014. Consumer palates today are sophisticated, demanding better-quality wines. The average price point of imported bottled wine is increasing as consumers experiment with premium wines.

Consumption of low-priced imported wine is decreasing. Red wine consumption is expected to increase three percent by total volume sales.

Ready-to-Eat Meal: Peru has Latin America's lowest per capita consumption of ready-to-eat meals. Peruvians prefer more affordable, fresh food products perceiving these to be more nutritious than frozen products or ready-to-eat meals. Ready-to-eat meal 2015 sales at \$3.5 million are up 10 percent compared to 2014. Consumers familiar with canned/preserved products often purchase ready-to-eat meals.

Section III. Competition

Table 4: Peru, Competitive Situation (2014)

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (excluding cheese) (\$311 million)	New Zealand: 37 percent USA: 19 percent Bolivia: 12 percent UK: 7 percent Ireland: 6 percent	New Zealand is a major supplier of dairy ingredients, especially HS 0402.21 and 0402.10 and accounts for almost 70 percent of imports.	- Only two local companies are major producers of evaporated milk and yogurt.
Cheese 4,394 MT (\$24 million)	USA: 48 percent Argentina: 23 percent Netherlands: 6 percent Uruguay: 5 percent Italy: 4 percent	MERCOSUR members Argentina and Uruguay enjoy tariff preferences, especially under HS 0406.90.	- Local homemade cheeses are commonly sold. - Gourmet cheeses are not made locally.
Snack Foods (excluding nuts) 26,000 MT (\$81 million)	Colombia: 47 percent Brazil: 10 percent China: 6 percent USA: 6 percent Argentina: 4 percent	Tariff preferences are applied to neighboring countries.	- Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.
Processed Fruits and Vegetables 67,196 MT (\$111 million)	Chile: 43 percent USA: 14 percent Netherlands: 10 percent Belgium: 7 percent Greece: 6 percent	- Chilean products are more affordable due to proximity and tariff preferences. - EU products are viewed as good quality. - Netherlands has increased its potato preparations exports due to fast food growth.	- Local processors are major exporters, but their local supply is limited.
Fresh Fruits 77,313 MT (\$69 million)	Chile: 70 percent USA: 17 percent Argentina: 12 percent	- Chile is the main supplier because of proximity, price and duty free entrance. - Argentina supplies pears and apples from January to October.	- U.S. Export window of opportunity: November to February. - Local fruit sold in retail markets is of lower quality.
Fruit and Vegetable Juices	USA: 79 percent Brazil: 7 percent	- Although the United States controls the bulk of fruit and	- Local brands are well positioned in the market at

2.0 million liters (\$11 million)	Argentina: 4 percent Chile: 3 percent	vegetable juice imports, Brazil however enjoys a 93 percent market share in frozen orange juice.	competitive prices.
Wine and Beer 16 million liters (\$44 million)	Argentina: 33 percent Chile: 23 percent Italy: 13 percent Spain: 12 percent USA: 4 percent	- Argentine and Chilean wines benefit from proximity, recognized quality, and pricing advantages.	- Major local breweries (market share of 95 percent) are well positioned, price competitive, and belong to international companies. - Local wine is well positioned and price competitive, but does not satisfy demand.
Red Meats (Fresh/Chilled/Frozen) 23,000 MT (\$72 million)	USA: 39 percent Chile: 18 percent Bolivia: 12 percent Argentina: 10 percent Brazil: 6 percent	- Neighboring countries export lower price cuts. Chile, benefitting from proximity and pricing, holds 85 percent of imported pork meat market.	- The market for U.S.-origin meats reopened in October 2006. - U.S.-origin meat is seen as being superior in quality. - Peru imports three times more offal than meats. - Local meat production does not satisfy demand.
Red Meats (prepared, preserved) 1,350 MT (\$8 million)	Bolivia: 40 percent USA: 20 percent Spain: 13 percent Italy: 10 percent Denmark: 8 percent	- Bolivia exports in 2014 are up 4 percent compared to 2013. Bolivian manufacturers have customized production according to local demand, making inroads with fast food franchises.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease over the next 5 years.
Poultry Meat 29,000 MT (\$43 million)	Brazil: 52 percent USA: 23 percent Argentina: 17 percent Bolivia: 6 percent Chile: 2 percent	- Brazil diversifies its supply including offal, turkey and chicken cuts - Almost 95 percent of Argentine exports are offal.	- Imports of U.S. poultry products reopened in October 2006. - TRQ for U.S. chicken leg quarters. - Local poultry producers are major suppliers with good distribution channels.

OBS: Latest full calendar year (January-December) data.

Source: World Trade Atlas, FAS Lima office research.

Section IV. Best Product Prospects

Category A: Products Present in the Market Which Have Good Sales Potential

Product/ Product Category	2014 Market Size est.	2014 Imports	2009-14 Average Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Cheese (HS 0406)	24,956 MT	4,394 MT \$24 million	14%	0406.10, 0406.20, and 0406.40: 0% 0406.30 and 0406.90: 0%	- Competitors: Argentina (23 percent) and Netherlands (6 percent). - Strong preference for EU cheese at high-end HRI and Retail Sectors	- U.S. cheeses are used in the food processing sector, but have potential in the HRI and Retail Food Sectors. - The United States is the main supplier with a market share of 48 percent (18 percent growth). - PTPA: 17 years linear; 2,500 MT quotas with 12 percent increase per annum.
Confectionary – Non Chocolate (HS 1704)	24,000 MT	17,458 MT \$48 million	13%	0%	- Competitors: Colombia (\$32 million China (\$4 million). - Strong local competition. Major owners are foreign companies	- United States 3 percent of total imports. Total imports from the United States \$1.3 million in 2014.
Confectionary – chocolate (HS 1806)	24,500 MT	5,548 MT \$25 million	15%	0%	- USA is the largest supplier (14 percent of market share). - Local industry is competitive	- The United States’ strength is in chocolate for the retail sector.
Food Preparations (HS 2106.90)	N/A	19,000 MT \$180 million	18%	0%	- Local production is strong. ALICORP is the main competitor. Foreign companies are present in Peru.	- United States is the largest supplier and holds 23 percent of market share. - In 2014 imports grew 38 percent.
Prime and Choice Beef (HS 0202.30)	Total Beef and Offal Market: 296,782 MT	2,000 MT \$13 million	41%	0%	- Competition with quality beef cuts from Bolivia, Argentina and Uruguay	- Consumers’ increased purchasing power is driving demand for high quality U.S. beef. - United States holds 47 percent market share of imported beef.
Edible Beef Offal (Liver) (HS 0206.22)	12,000 MT	4,142 MT \$5.5 million	0%	0%	Local production covers most of the market size	- The United States holds 67 percent of import market.
Fruit & Vegetable Juices (HS 2009)	N/A	20,636 hl \$10.9 million	54%	0%	- Brazil is the second largest supplier with a 2014 import market share of 7 percent	U.S. is the largest supplier Imports have grown 258 percent in respect to 2013. U.S. holds almost 80 of

						market share.
Pet Foods (HS 2309.10)	46,000 MT	16,244 MT \$22.4 million	12%	0%	<ul style="list-style-type: none"> - Growing local pet industry. - Informal industry. - Major competitors: Argentina (49 percent) and Colombia (15 percent) 	- The United States holds a 24 percent import market share.
Turkey (HS 0207.27)	36,000 MT	7,055 MT \$6.5 million	8%	0%	<ul style="list-style-type: none"> - Major exporter is Brazil (84 percent) - Local poultry industry is strong. 	<ul style="list-style-type: none"> - Peruvians are major consumers of turkey during the Christmas and New Year's holidays. - The food retail sector is growing in Lima and in the interior. - USAPEEC has initiated a market penetration plan. - U.S. holds 14 percent of import market share.
Poultry Meat Cuts (HS 0207.14)	1.8 Million MT	10,949 MT \$11 million	45%	TRQ: 15,117 MT 0%	<ul style="list-style-type: none"> - Strong local competition. - Frozen presentation is not common. - Brazil is the second largest supplier (26 percent) 	<ul style="list-style-type: none"> - Peru is a major poultry consumer. - TRQ: 6 percent increase per annum. - Only 15 percent of TRQ is being utilized.
Bread, pastry, cookies (HS 1905)	N/A	5,789 MT \$17.6 Million	7%	0%	<ul style="list-style-type: none"> - Colombia with a 26 percent import market share is the main supplier. - Strong local competition. 	- United States holds 14 percent of import market share.
Soups & Broths (HS 2104)	N/A	1,279 MT \$4 million	9%	0%	<ul style="list-style-type: none"> - Strong local competition. - Chile is the second largest supplier (30 percent) 	- United States is the major import supplier in this category holding 31 percent of import market share
Sauces (HS 2103)	N/A	6,663 MT \$15 million	11%	0%	<ul style="list-style-type: none"> - Strong local competition. 	- United States grew 14 percent in 2014 and is the major import supplier in this category, holding 34 percent of import market share
Nuts and almonds (HS 0802)	N/A	1,131 MT \$9 million	50%	0%	<ul style="list-style-type: none"> - Chile is very competitive in almonds and walnuts production. Holds 23 percent of market share 	<ul style="list-style-type: none"> - Importers recognize that U.S. quality of nuts and almonds is better than competitors. - U.S. exports have grown 85 percent in 2014. U.S. became largest supplier holding 73 percent of import market share.
Wine (HS 2204)	41 million liters	9 million liters \$37	17%	0%	<ul style="list-style-type: none"> - Argentina (39 percent), Chile (27 percent), and Spain (14 percent). 	<ul style="list-style-type: none"> - Niche market for quality wines. - Peru's wine consumption is growing

		million			- Small niche market for U.S. wines	to 1.3 liters/person. - Import value has grown 76 percent in respect 203. Low cost wines are gaining ground
--	--	---------	--	--	-------------------------------------	--

Note: HS = Harmonized Tariff System. TRQ = Tariff Rate Quota. Latest full calendar year (January-December) data.

Sources: World Trade Atlas, FAS Lima office research, Office of the U.S. Trade Representative (USTR), Ministry of Agriculture, Gestion and El Comercio (Peru) Newspapers.

Category B: Products Not Present in Significant Quantities, but with Good Sales Potential:

Product/ Product Category	2014 Market Size Est.	2014 Imports	2009-14 Average Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for the U.S.
Peaches, cherries and Nectarines (HS 0809)	8,500 MT	1,558 MT \$2 million	0%	0%	- Chile has a 99 percent import market share.	- Interest in U.S. peaches and nectarines. - Duty free access.
Apples and Pears (HS 0808)	75,000 MT	68,899 MT \$59 million	45%	0%	- Chile has a 71 percent import market share.	- Export window opportunity: Nov-Feb. - Recognized quality of U.S. apples and pears.
Grapes, Raisins (HS 0806.20)	8,900 MT	6,858 MT \$18 million	460%	0%	- Chile has an 82 percent import market share.	- Export window opportunity: Sept-Dec. U.S. exports grew 187 percent in 2014.
Citrus (HS 0805)	120,000 MT	2,515 MT \$3.5 million	135%	0%	- Chile with a 5 percent import market share is the second major supplier. - Strong local competition.	- United States holds 95 percent of import market - Export window opportunity: Jan-March.
Pork Meat (HS 0203)	160,000 MT	5,803 MT \$19 million	260%	0%	- Strong local competition; production level of 100,000 MT. - Chile has a 60 percent import market share.	- Pork imports are growing. - U.S. pork benefit from PTPA implementation. - Beef importers can also import pork. Best quality and competitive prices. - USMEF representative for the region. - U.S. exports grew 70 percent in 2014.
Sausages (HS 1601)	18,000 MT	330 MT \$18 million	55%	0%	- Strong local competition.	- High-end gourmet offers best possibilities for U.S. product. - The United States holds a 62 percent of import market share - Fast food restaurants are the main channel.
Ham, processed HS 1602.41	115 MT	105 MT \$1.4 million	31%	3.6%	- Competitors: Italy (48 percent) and Spain (39 percent).	- High-end gourmet offers best possibilities for U.S. product.
Beer (HS 2203)	200 MM liters	6.5 million liters	25%	0%	- Strong local competition. - Local breweries produce and import new brands.	- Niche market for U.S. premium craft beers - Per capita consumption

		\$7 million			- Mexico with a 23 percent import market share is the main supplier.	increasing to 40 liters. - Duty free entrance. - Few U.S. brands.
--	--	-------------	--	--	--	---

Note: TRQ = Tariff Rate Quota. Latest full calendar year (January-December) data.

Sources: World Trade Atlas, FAS Lima office research, Office of the U.S. Trade Representative (USTR), Ministry of Agriculture, Gestion and El Comercio (Peru) Newspapers.

Category C: Products not Present Because They Face Significant Barriers

None.

Section V. Post Contact and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS) Office of Agricultural Affairs

Street Address: Avda. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Mailing Address: FAS OAA Lima, Unit 3785, DPO, AA 34031

Phone: (511) 434-3042 • Fax: (511) 434-3043 • E-mail: Aglima@usda.gov

For additional information, see www.fas.usda.gov. See also our Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.